

Public Retirement Systems Committee

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**NOVEMBER 19, 2009
IOWA LEAGUE OF CITIES
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF
IOWA (MFPRSI)**

High City Contribution Rates

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- Assuming a 7.5 percent investment return:
 - City contribution rates are projected to increase within five fiscal years to a high of 38.55 percent.
 - Through FY2021, city contribution will never drop below 31 percent.
- When the system was formed, the Legislature aimed to make contributions about equal to a 60/40 split between employer and employee.

Contribution Rate Split Between Cities and Employees

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Year

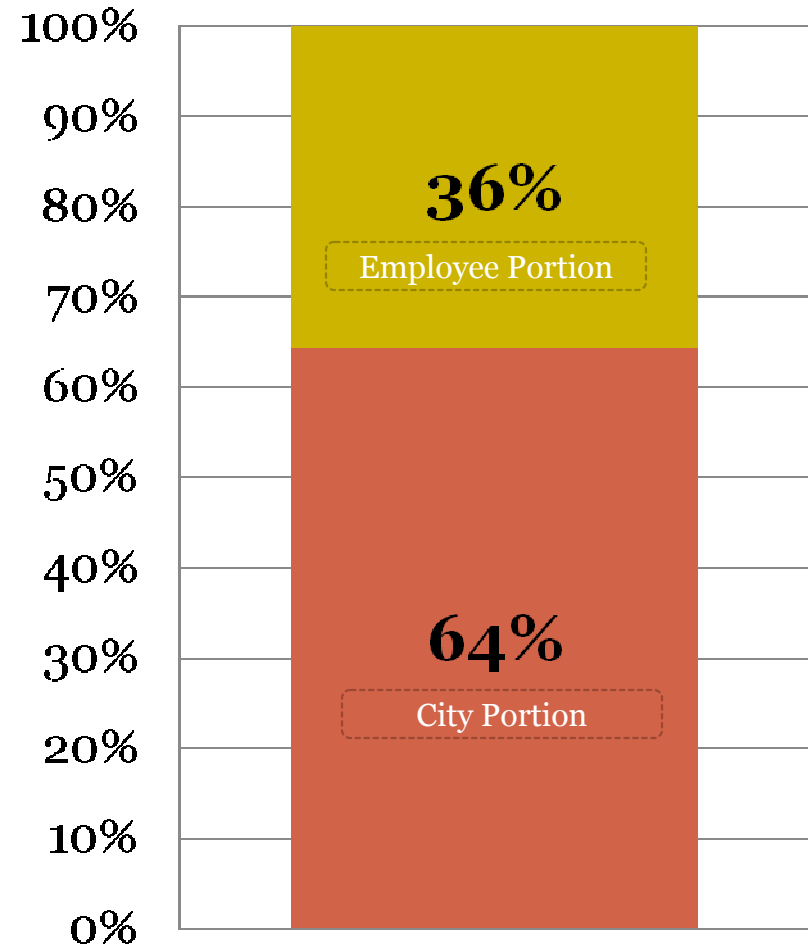
Fiscal Year 2010

Employee Rate as a % of Payroll

9.4%

City Rate as a % of Payroll

17% (Lowest Possible Under 411 Statute)



Contribution Rate Split Between Cities and Employees

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Year

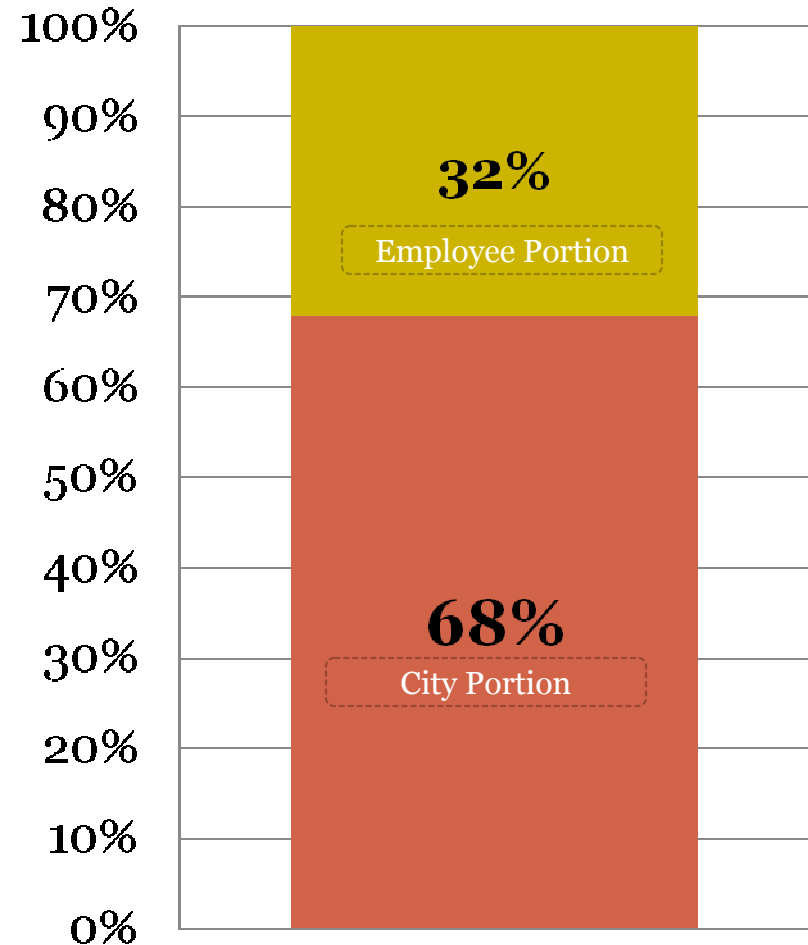
Fiscal Year 2011

Employee Rate as a % of Payroll

9.4%

City Rate as a % of Payroll

19.9%



Contribution Rate Split Between Cities and Employees

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Year

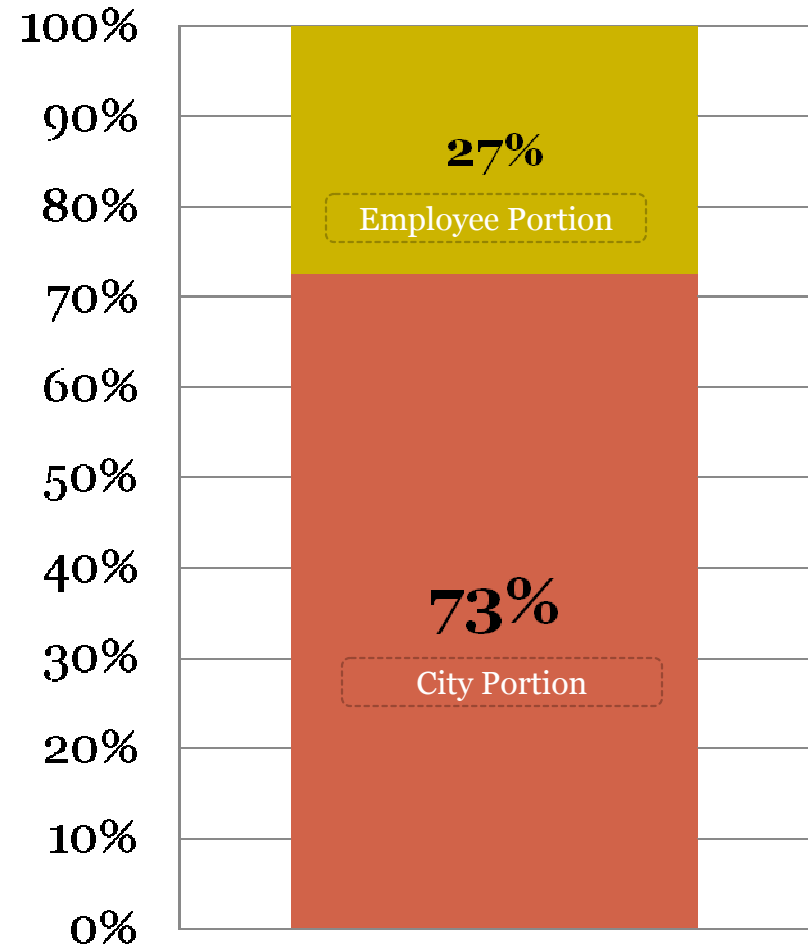
Fiscal Year 2012

Employee Rate as a % of Payroll

9.4%

City Rate as a % of Payroll

24.91%



Contribution Rate Split Between Cities and Employees

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Year

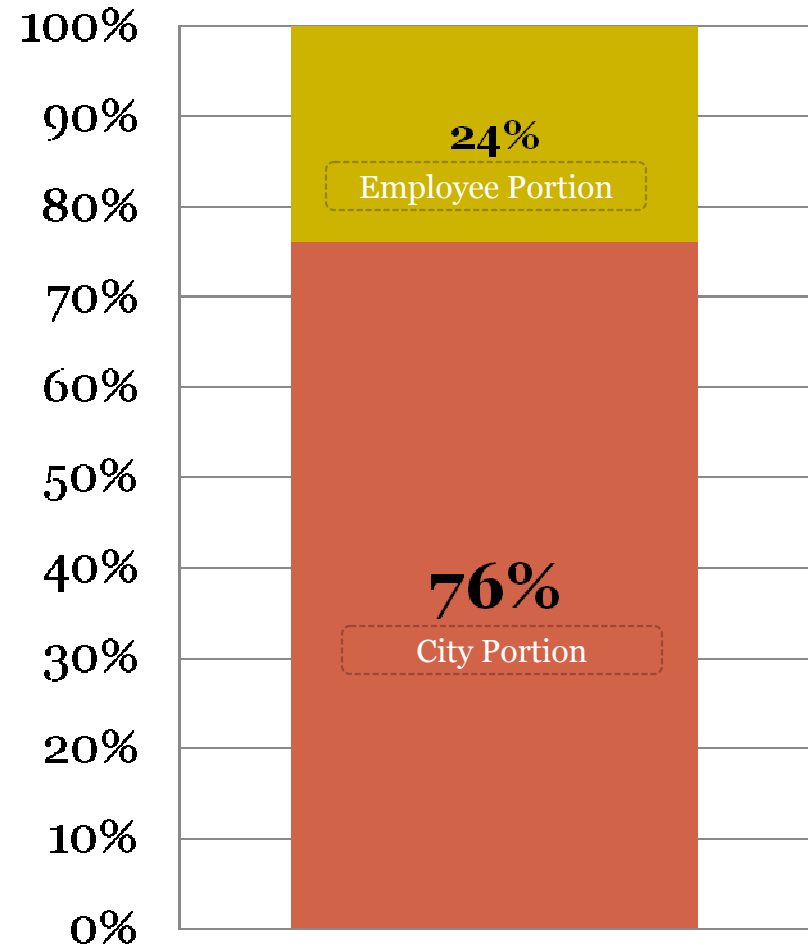
Fiscal Year 2013

Employee Rate as a % of Payroll

9.4%

City Rate as a % of Payroll

29.92%



Contribution Rate Split Between Cities and Employees

7

Year

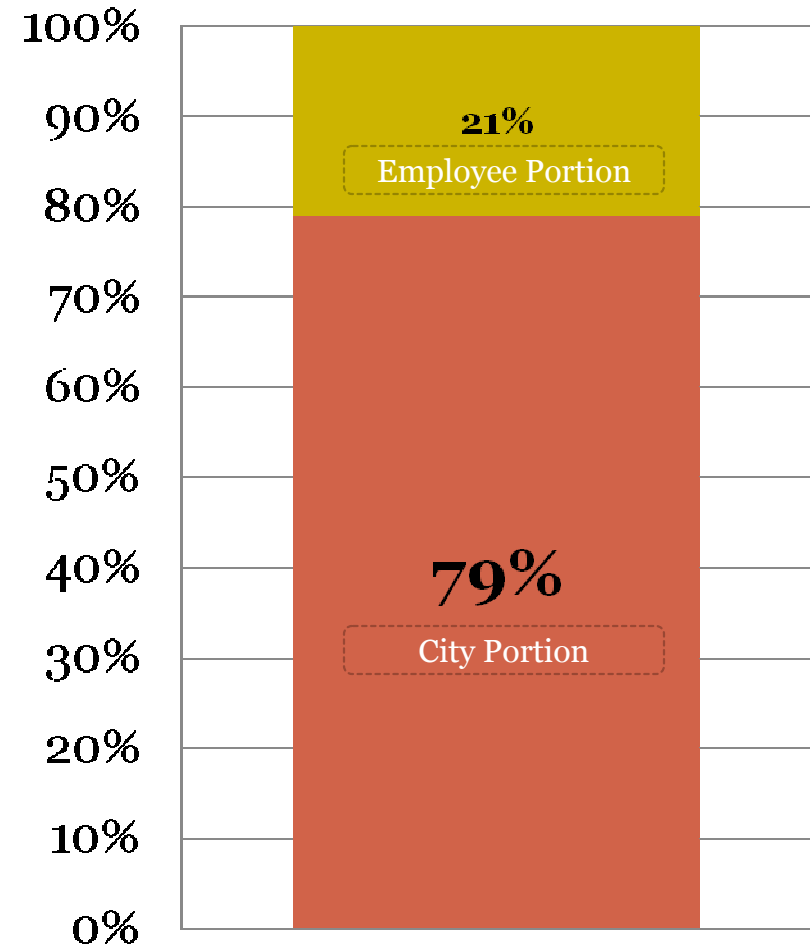
Fiscal Year 2014

Employee Rate as a % of Payroll

9.4%

City Rate as a % of Payroll

35.32%



Contribution Rate Split Between Cities and Employees

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Year

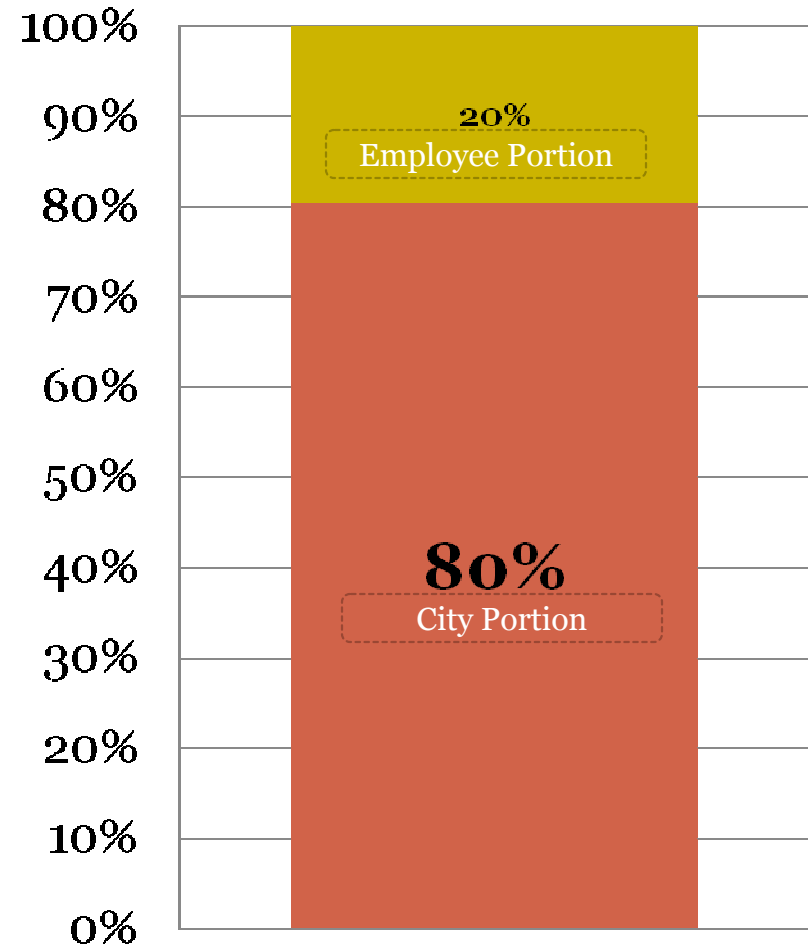
Fiscal Year 2015

Employee Rate as a % of Payroll

9.4%

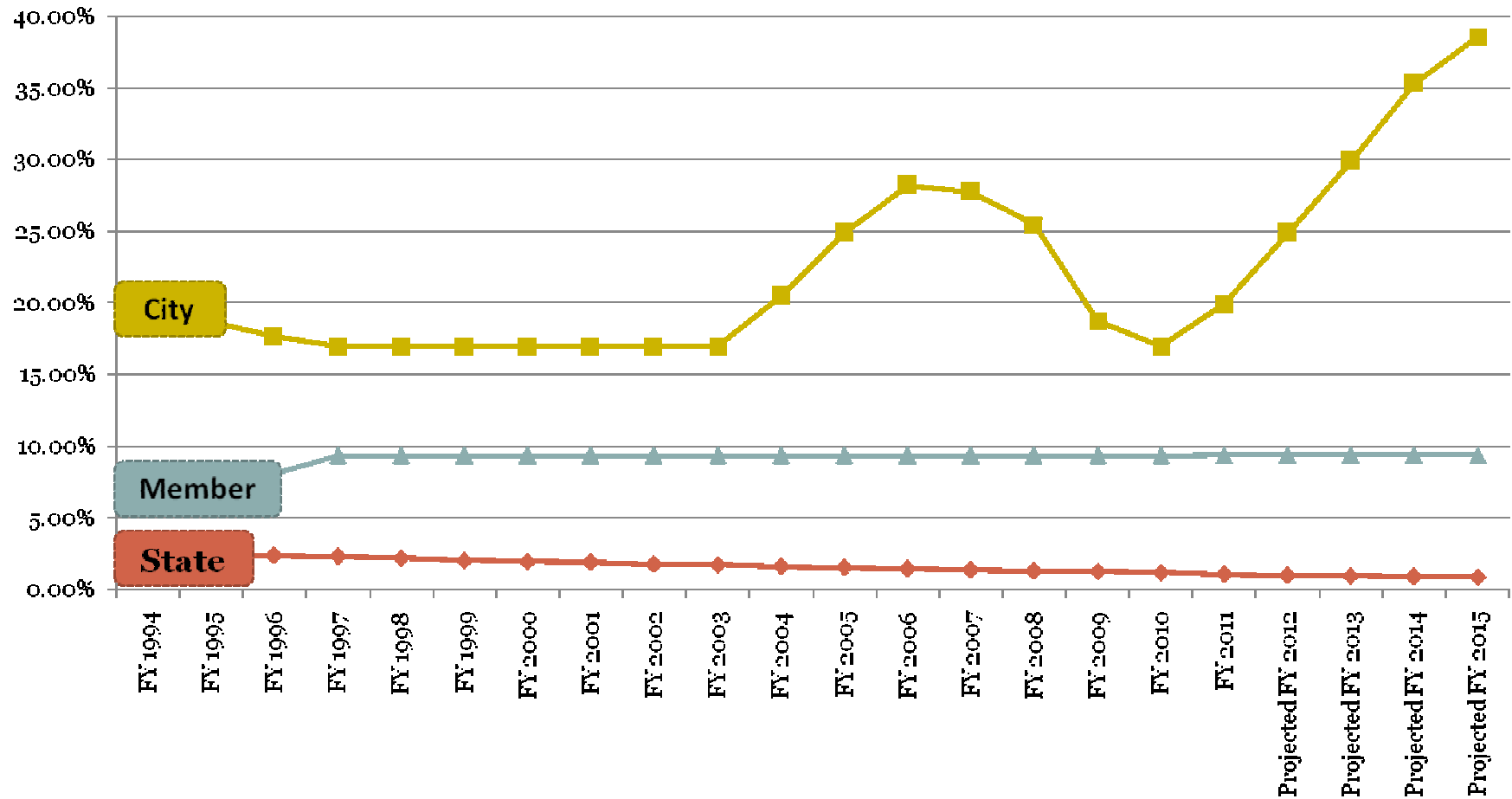
City Rate as a % of Payroll

38.55%



MFPRSI Contribution Rates by Group FY1993-Present

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What Projected Contribution Rate Increases Mean in Dollars

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| | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| City Contribution as a Percentage of Payroll | 17% | 19.90% | 24.91% | 29.92% | 35.32% | 38.55% |
| Dollar Amount Paid by Cities | \$ 41,943,082 | \$ 49,098,079 | \$ 61,458,952 | \$ 73,819,825 | \$ 87,142,922 | \$ 95,112,107 |

- With all 49 of the MFPRSI member cities reporting, FY2010 costs for MFPRSI total approximately \$41.9 million.
- With the potential growth of city contribution rates, and assuming that staffing levels and compensation remain constant, this dollar amount is projected to grow to over \$95 million by FY2015.

Comparison MFPRSI and IPERS Protected Class

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- Some cities, not participating in the MFPRSI system, have firefighters and police in IPERS Protected Class II.
- When social security rates are added in with IPERS rates those **employees** are paying a higher percentage of their earnable compensation overall than MFPRSI employees.
- MFPRSI **cities** are paying a much higher percentage of their employees' earnable compensation than their IPERS counterparts.

City Concerns

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- Cities held an MFPRSI Member City Summit in October.
- Message that the current system is unworkable.
 - City contribution rates soaring.
 - Cities paying an increasingly inequitable amount in contributions.
 - Benefits increases, such as last session's cancer and infectious disease presumption.
 - Difficult economic climate.
 - Police and fire costs make up large portions of city member budgets.
- Formed an internal committee committed to working on finding solutions.

City View

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- Cities want to maintain a stable, fully funded system, that provides an attractive benefit to essential city employees.
- Cities want a fair system--a true partnership--with contributions equitably divided between employer and employee.
- Changes are needed.

Moving Forward

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- Possible solutions include changes to the benefits and/or contributions sides:
 - 60/40 split
 - Employees pay for increased benefits over certain threshold.
 - Examine the assumptions behind retirement benefits.
- Other systemic changes being discussed, with many ideas on the table.
- MFPRSI member cities look forward to working with the Legislature and discussing solutions, to ensure a sustainable, balanced system.



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QUESTIONS?